



SEMCOENERGY

G A S C O M P A N Y

Senate Energy and Technology
Committee

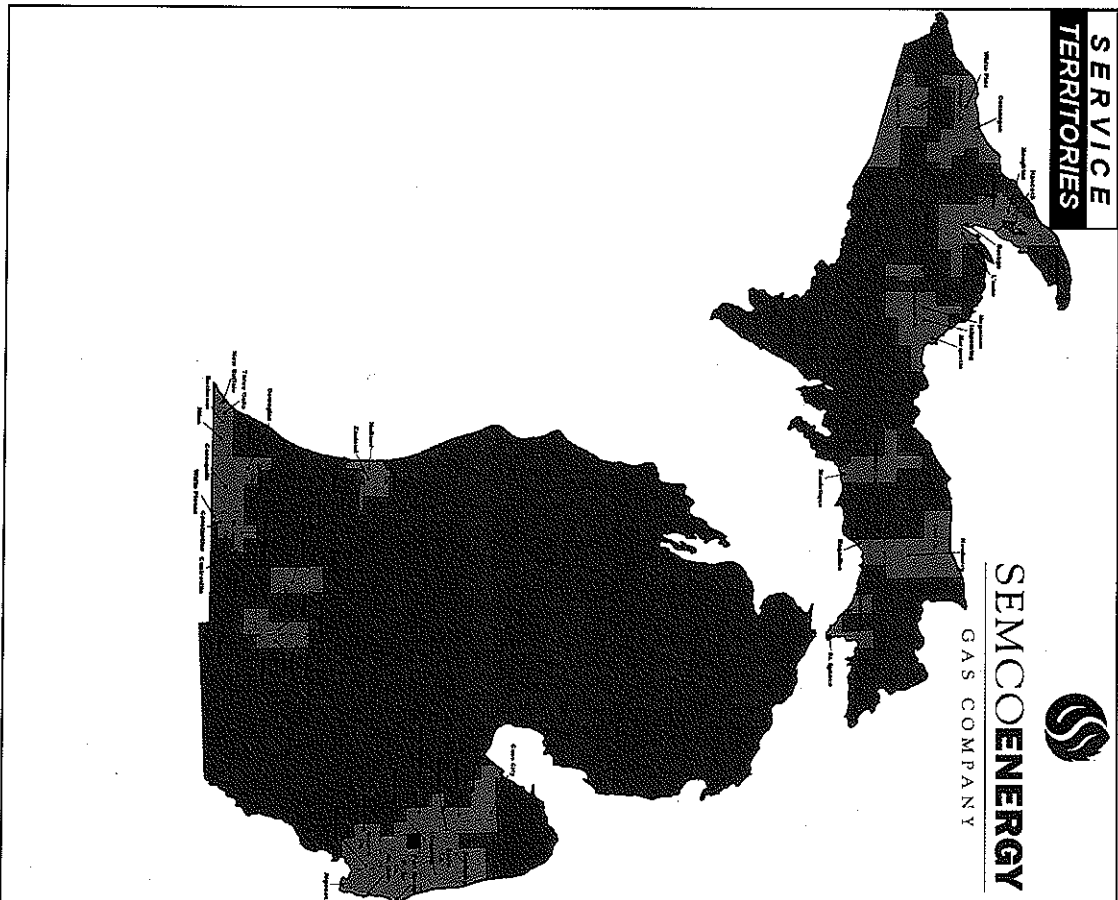
Energy Optimization

October 18, 2011



SEMCOENERGY
GAS COMPANY

Overview



- Natural gas distribution company
 - Average residential bill - \$71 per month
 - Gas Costs - \$42 per month
 - SEMCO Charges - \$25 per month
 - EO Charge and Sales Tax - \$4 per month
- 288,000 customers
- 90% residential customer base
- Located in 22 Michigan counties
- 370 employees



SEMCOENERGY

GAS COMPANY

Energy Optimization Program, Public Act 295

- SEMCO and ten other utilities opted to use the State-selected Energy Optimization (EO) Administrator, the Michigan Community Action Agency Association (MCAAA).
- SEMCO Responsibilities:
 - Assess and collect the EO charge from customers.
 - File a plan case and annual reconciliation cases with the MPSC.
 - Send all EO charges collected to EO Administrator.
- MCAAA Responsibilities:
 - Administer EO programs for residential, commercial, industrial and low income customers.
 - Efficiency United is the name under which programs are offered.
 - CLEAResult selected as implementation contractor.
 - Ensure efficiency goals are met.
 - Ensure funding is being spent effectively.



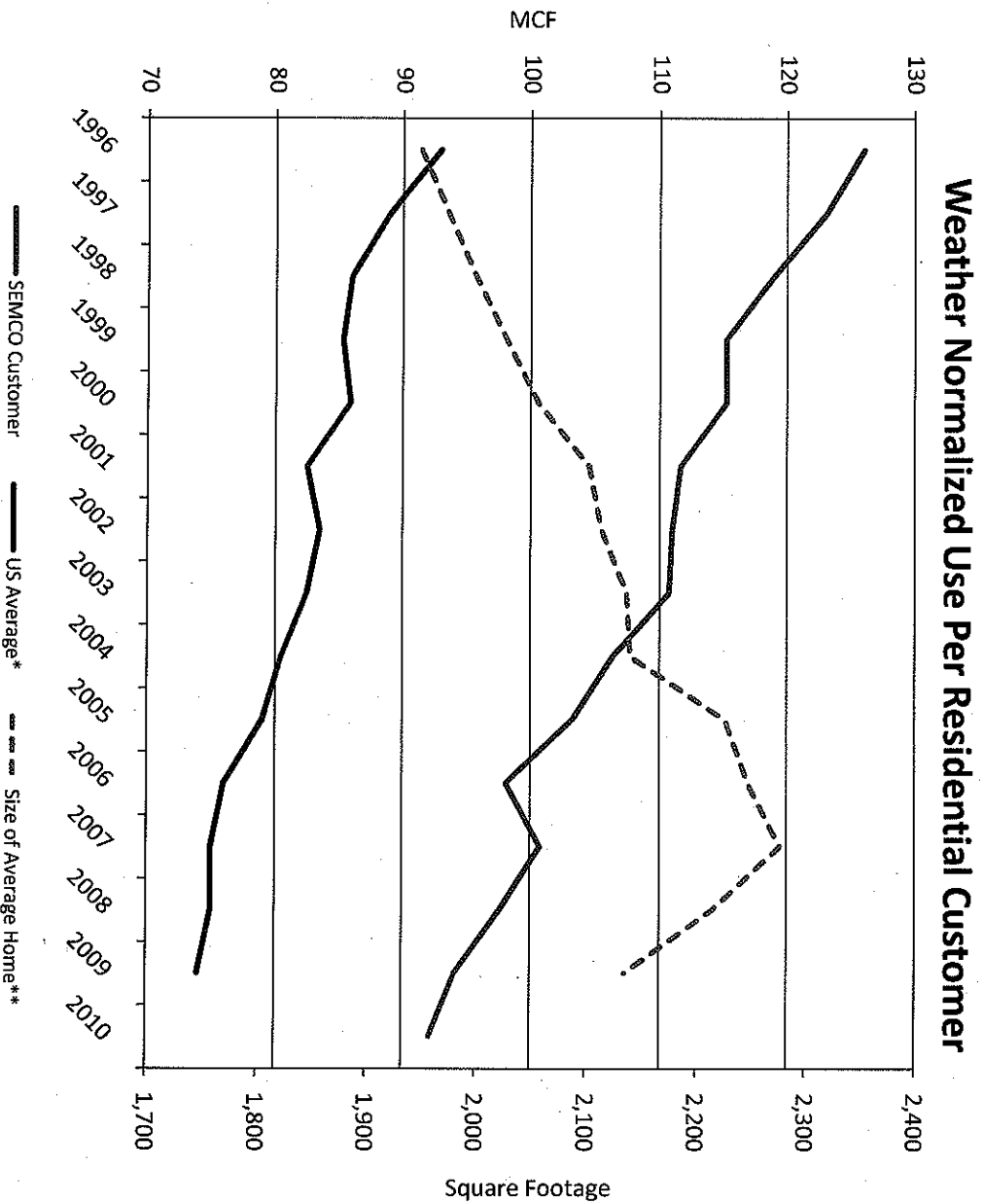
Program Funding

- Program funding began in 2009
 - SEMCO customers will pay an EO charge of the maximum amount of 2% of revenue in 2012 and beyond.
 - The EO charge for SEMCO customers generates approximately \$6 million per year at current gas prices.
 - 100% of the amount collected is turned over to MCAAA.
- Through 2010, \$19.5 Million was funded to MCAAA from all participating utilities.
- Through 2010, CLEAResult reported that:
 - \$4.5 Million was spent on incentives
 - \$7.7 Million on administration/implementation
 - \$4.2 Million was carried over to 2011



Residential Gas Consumption Trend

- Average use has been steadily declining for over 15 years despite average U.S. single family home size going up.
- 1.4% per year U.S.
- 2.2% per year SEMCO
- Reasons include:
 - Better building standards and materials.
 - Higher appliance efficiency standards.



• Weather normalized on a national basis.
 Source: Energy Information Administration.
 ** Source: U.S. Census Bureau.



SEMCOENERGY

5 GAS COMPANY

EO Program Issues

- EO charge to SEMCO customers is substantial and tied to gas prices.
- A significant percentage is being spent on administrative/implementation expenses.
- Is the value of the program being measured effectively?
- Given the declining usage trend, are we paying SEMCO customers to do things they are doing anyway?

